

CENTRAL INTELLIGENCE AGENCY  
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APPENDIX "A"

(First Draft)

SPANISH ECONOMIC SITUATION

1. Agriculture. The economy of Spain is primarily based on agriculture, which employs about 51 percent of the total Spanish labor force. Most important products are the cereal grains; next come grapes and other fruits. Production has declined since the years before the Civil War, while the population has increased; virtual self-sufficiency in foodstuffs (at a low standard of living) has thus given way to dependence on the importation of about 500,000 tons of cereal grains per year. Among the reasons for declining production have been a series of droughts and a lack of chemical fertilizers, together with a reduced productivity of agricultural labor; the government has in recent years put only about 1 percent of its annual budget into agricultural development.

2. Mining and Metallurgy, the second most important economic activity in Spain. Coal deposits are of poor quality; 1950 production of 11,000,000 metric tons represented about 85

*Disinvestment  
major cause  
of decline  
in productivity  
Aggravated  
by:  
drought  
lack of  
fertil  
low wages  
etc.  
making for  
reduced  
labor  
productivity*

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percent of Spanish domestic requirements. Coking coal must be imported. Steel production was 825,000 metric tons in 1950, as compared with one million tons in the peak year of 1929. Lack of coking coal, and of scrap, are two principal obstacles to increasing steel production. Tungsten ore production is nearly all exported; output was about 1,000 tons in 1950 and about 4,000 tons <sup>along with Italy, Spain dominates the world's mercury market</sup> in the peak year of 1943. Mercury <sup>Spain</sup> output was 50,000 flasks in 1950; in 1941 it reached 86,473 flasks. Spain is the world's largest producer of iron pyrites -- about 1,300,000 metric tons annually of which 90 percent is exported, mostly to West Germany, the UK, and the Netherlands. <sup>Potash</sup> Copper, lead, zinc, strontium are other products possessed by Spain in significant quantities.

The mining and metallurgical industries suffer from lack of new machinery and equipment, and from poor maintenance of old equipment, even though the government has made considerable efforts to increase the production of coal, iron, and steel. <sup>shortage of electric power and skilled labor</sup>

3. Industry. The greatest development of Spanish industry occurred in the decade after World War I; the productive activity of that decade has never been regained. Chief difficulties are shortages of raw materials, fuels, electric power, transport facilities, equipment and machinery. Eighty

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percent of the machinery in Spanish factories is more than 10 years old and 50 percent is more than 20 years old. The government has placed much emphasis on the development of electric power-generating facilities, but output is still below present demand. The cement industry has also been greatly expanded, much of its product going into hydro-electric power projects. The textile industry is among the most important in Spain, but is largely dependent on imported raw materials, especially cotton, for the procurement of which credit has been difficult to find.

4. Railroads. The railroads of the Iberian Peninsula are unquestionably the worst in Western Europe. The railroads of Spain are in exceptionally bad shape, steady deterioration having taken place since 1930. The basic rail nets of both Spain and Portugal have 5-foot-6-inch gauge as compared with the 4-foot-8½-inch gauge in the US and France. A number of narrow-gauge lines are of local importance in both Spain and Portugal.

The broad-gauge Spanish railroad system centers on Madrid and connects all the main cities with the capital.

However, no line is double-tracked for the entire distance from Madrid to any seaport. Sections of rail routes have been electrified, partly because of the shortage of good coal.

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Railroad construction in Spain is difficult because of the rugged terrain. The numerous tunnels, sharp curves, frequent steep gradients, poor roadbeds, and old and inadequately maintained rolling stock make fast train operations impossible. Signals are inadequate, the supply of all kinds of equipment is insufficient, freight cars are in most cases without brakes, hotheads are common, and ties are old and rotten. As a result, accidents are numerous. Bridges are in such poor condition that trains must often slow down to a crawl. The system cannot handle present peacetime traffic adequately, and freight is constantly backlogged. On January 1, 1950 there were approximately 10 percent fewer steam locomotives and freight cars and 50 percent fewer passenger cars than in 1935 in service in the State-owned railroad system. In 1948, it was estimated that 35 percent of the locomotives in operation were 45 years old or older. Spain needs to import finished railway equipment specially designed to fit the broad gauge, steel for domestic railway equipment production, ties, and coal.

The railroads of Spain are highly vulnerable to air attack and sabotage because of the many tunnels and bridges and the lack of alternative routes. Defense of the Pyrenees would be a serious problem from the point of view of the present railroad capabilities. In 1947 the withdrawal of 60,000 Spanish troops

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from the Pyrenees required 3 months' time and to a large extent disrupted normal railway traffic. The difference in gauge between the French and Spanish railroads necessitates transfer of goods at the border.

5. Highways. The highways of Spain are not adequate for modern military traffic. The Spanish highway system radiates from Madrid, and good connecting roads in outlying areas are few. The deficiency is particularly important in the Pyrenees, where the Spanish roads are poor. On the French side of the border the network of roads is much better.

Among the obstacles encountered in Spain are weak or narrow bridges, narrow streets through towns, overhanging balconies, sharp curves, steep grades, switchbacks, tunnels, and a lack of alternative routes. Road construction is <sup>nearly</sup> at a standstill, and maintenance of existing roads is inadequate. Furthermore, <sup>the shortage of foreign exchange</sup> Spain lacks the means to buy asphalt and road-building machinery. <sup>has</sup> ~~Several limited imports of~~

There is also a shortage of motor vehicles, tires, parts, and gasoline. The majority of vehicles in use are over 10 years old, and both passengers and freight move primarily by railroad.

6. Standard of Living; Finance; National Economic Policy. The total Spanish national income never recovered its pre-war levels in the post-civil-war years, and has fluctuated around

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a level roughly 9 percent less than the 1929-1935 average. Real income per head in the period 1940-1949 was roughly 20 percent less than in the 1929-1935 years. The standard of living of the mass of Spaniards is lower than in any other Western European country. Great inequality in the distribution of wealth is a national characteristic, and one which has been accentuated since 1940, as the growth of the middle class has been retarded.

*insert under # 3*

The limited industrial expansion that has occurred has been in effect at the expense of agriculture, transportation, housing, the road network, ports and harbors, and the whole infra structure of the economy. A housing deficit of 500,000 dwellings was estimated in 1950, and according to Spanish housing authorities, 37 percent of total existing housing in 1948 was "unhealthy." Consumption per head of food and clothing has declined since the early 1930's at least a third on the average, and for the urban working classes and fixed income groups it has probably declined more than 60 percent. Productivity of workers, not only in the cities but in agricultural regions, has fallen off.

The years since the Civil War have been marked not only by a decline in the production of real wealth but by a steady rise in public expenditures, and by deficit financing through the sale of bonds to private banks which use them as security

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for loans from the Bank of Spain. More than half the budget expenditures are for the military services, police, Church and Falange; military expenditure alone accounts for <sup>about 44%</sup> ~~nearly 40~~ per cent of the budget. The monetary and fiscal policies of the government, together with the diminishing total supply of goods and services, pyramiding costs, and a rapidly growing population, have produced a critical inflationary condition. Though still fairly successfully repressed, the inflationary forces are sufficient, in the absence of sound corrective measures and large-scale US economic aid, to produce at any time a chaotic economic situation.

Most business and industrial enterprise nominally operates under the profits system but is regimented under <sup>corporative</sup> ~~controls~~ applied through a <sup>syndicate</sup> ~~system of organization~~ designed to merge the technical administration with the political operations of the Falange Party, as in the case of Nazi Germany and Fascist Italy. Management has been shown of almost all the powers and prerogatives of private ownership as understood in the United States, such as the setting of wages and prices, and the control of operations, including the right to cease operations. Labor likewise has lost the right to organize independently and bargain collectively.

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APPENDIX "B"

(First Draft)

SPANISH MILITARY SITUATION

1. The Spanish Army. The Spanish Army consists of 335,000 men organized into 3 army corps, 18 divisions (12 infantry, 4 mountain infantry, one cavalry, and one so-called armored), 5 Special Mixed Coastal Groups (equivalent to one division and 4 brigades), 6 cavalry brigades, and 63 independent regiments. The table of organization of the Spanish infantry division is roughly half that of the United States infantry division. Spanish units at the present time are under strength.

In time of war or national emergency, control of the Civil Guard and the Armed and Traffic Police (Security Forces), with a strength of 87,000, passes from the Ministry of the Interior to the Ministry of the Army. Most personnel in the Security Forces have had some military training, and practically all Civil Guard officers are Army officers or ex-Army officers.

Spain's physically fit manpower (ages 15-49) is approximately five million men, and of this number about two million have had military training or combat experience thereby producing a large reserve of experienced military manpower. The

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rate at which Spain can mobilize her manpower is estimated as follows:

<u>Time</u>	<u>Personnel</u>	<u>Divisions</u>
M - Day	426,500*	19
M / 30	600,000	19
M / 90	830,000	25
M / 180	1,000,000	30
M / 360	1,500,000	40

\* Including Security Forces personnel.

The training of Spanish army officers is relatively good, but the effectiveness and efficiency of the training received by the average Spanish soldier is poor to fair. This low estimate of troop training is attributed to: (1) excessive losses of training time through furloughs and frequent holidays; (2) insufficient funds to provide ammunition, fuel, modern weapons and equipment for all phases of training, and (3) illiteracy -- ten to twenty percent of the men inducted are illiterates, and another fifteen to twenty percent are nearly so.

The over-all morale of the Spanish Army is regarded as satisfactory and personnel are generally physically fit.

The majority of Spanish weapons are obsolete or obsolescent, but many are usable and could be effective in the hands of well-trained troops. The Army is deficient in heavy artillery,

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effective antitank and antiaircraft weapons. Severe shortages also exist in most types of signal and engineer equipment as well as automotive transport, tanks, and other combat vehicles. The lack of ammunition in stock and production potential, however, is much more serious than the weapons situation. It is estimated that the ammunition supply for full mobilization of 40 divisions for various categories of weapons is adequate for from 3 to 12 days of combat.

2. The Spanish Air Force. The Spanish Air Force has a personnel of approximately 36,000, about 750 of whom are considered to be qualified pilots. The Air Force is organized into nine fighter, eleven bomber, three reconnaissance, six assault (attack) and three amphibious squadrons. The equipment consists of a variety of German, Italian, and Spanish aircraft in varying stages of obsolescence. The principal fighter types are the CR-32 Italian and the ME-109 German-made aircraft. The bomber type principally used is the He-111 German (Heinkel).

The combat value of the Spanish Air Force is practically nil against a major foe. Any improvement in efficiency would necessitate extensive foreign aid in every category, and would entail complete rebuilding of the Air Force.

3. The Spanish Navy. In effective or potentially effective ships, Spain currently has: 1 CA, 3 CL, 1 CLAA, 15 DD,

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3 SS, 9 PG, 6 CM and 9 AM, besides a limited number of coastal warfare type craft. By contrast to most other western continental European navies, this force is fairly well balanced and homogeneous for its size. The relatively high average age of its vessels is partly off-set by good maintenance and the fact that the task force type of operational requirements -- as understood in the USN, are not contemplated.

Basic training and theoretical appreciation of the elements of modern naval warfare are of a high order. By 1935-39 standards, combat readiness and effectiveness are good. Eye witnesses of recent large scale exercises testify to the high order of seamanship and ship handling displayed by all participating vessels.

Principal deficiencies revolve around the lack of modern weapons and equipment, which seriously restricts training development and the accumulation of operational experience with modern methods and techniques. The absence of a naval air arm is another handicap which no amount of theoretical study or simulation in exercises can overcome.

4. Spanish Air Bases. The air facility system of Spain, the Balearic Islands, and the Canary Islands comprises 53 airfields and 8 seaplane stations. Spain possesses two significant

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complexes of airfields: one at Madrid in central Spain, with four airfields, including a repair depot; and the other at Cartagena on the southeastern coast, with five airfields.

Two airfields, Madrid/Barajas and Valencia/Mantises, are capable of supporting sustained heavy bomber, medium bomber and jet light bomber operations. Four other airfields are capable of supporting limited heavy bomber and medium bomber operations: Barcelona/Muntadas, Cartagena/San Javier, Salamanca/Matecan, and Seville/San Pablo. The airfields at Barcelona and Seville have the advantage that they can be supplied by water transportation.

The two best general locations for air operations in Spain are the Ebro River Valley in the North, and the Guadalquivir River Valley in the South. Each of these general locations is serviced by road and rail facilities. The Guadalquivir Valley has the additional advantage of having a navigable river as far inland as the capital city of Seville. Tankers and transports could navigate to this point, entering the river directly from the Atlantic Ocean.

Also important to the West are four strategically located Spanish seaplane bases, three of which are situated in the Western Mediterranean and one which is in the Canary Islands.

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The most important installation is located at Pollensa Bay in the Balearic Islands. Second is the base of San Javier in the Mar Menor near Cartagena. The third Mediterranean base is located on the Spanish Moroccan coast in the Presidio of Melilla. By use of these bases, long-range ASW seaplanes, properly equipped electronically, could effectively patrol the western end of the Mediterranean and its Atlantic approaches against hostile submarines.

The airport and seaplane base at Gando in the Canary Islands could be effectively used for ASW work in the eastern Atlantic between the coast of Africa and the Azores. No development outside of maintenance machinery would be necessary to place it in immediate use.

5. Spanish Naval Bases. Spain's three major naval bases are located at El Ferrol (north coast), Cartagena (Mediterranean coast), and Cadiz (Atlantic coast). Shipyards and good base facilities are located at these three points. Smaller shipyards are located at most of the major Spanish ports and are capable of good basic ship construction and repair. Present facilities are not used to capacity, and are barely able to maintain the present Spanish Navy and merchant fleet because of critical shortages of materials and deficiencies in equipment. Expansion programs

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have been drawn up for all the naval bases and most of the larger ports, but are being carried out very slowly due to the depressed condition of the Spanish economy.

Extensive underground storage facilities (including oil) exist at each of the major naval bases and at some other coastal points. More are in the process of construction, but work is proceeding very slowly.

Because of their geographical position, Spain's three major bases, if expanded and improved, could furnish important logistical aid to Western fleets controlling the Mediterranean and Eastern Atlantic in time of war.

In the event that existing Spanish bases are found to be inadequate for Western Fleets, new bases could be constructed. Despite her long coastline, however, Spain has few good natural ports, and careful selection would be required. Most existing ports are artificial and were developed more as appendages to existing seaboard cities than because of their natural excellence. Some natural harbors exist, e.g., La Coruna, Vigo, etc., and one or more of the excellent artificial harbors could undoubtedly be used.

6. The Pyrenees Defense Line. Types of fortifications in the Pyrenees include concrete emplacements, pillboxes, crude

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field fortifications, and obstacles. Three defensive lines and supplemental field fortifications have been constructed, as well as wire entanglements and road blocks.

Instead of continuous fortified lines, primarily the terrain features which permit coverage of the avenues of approach from France have been fortified. Lateral routes, most of which are parallel to the frontier, are also covered by defensive works. The principle of mutually supporting battalion centers of resistance appears to be used.

Strong concrete fortifications have been built on the eastern flank of the Pyrenees. This series, all well constructed and camouflaged, will be a serious obstacle to any attack from the French side. These defense lines are fortified in depth and consist of mutually supporting pillboxes, machine gun positions and a few antiaircraft batteries.

The center section of the Pyrenees has some field fortifications of a temporary type. This sector, however, probably would be utilized by an attacker only for light diversionary operations because the highly channelized gorges, which would impede deployment of the attacker's forces and would restrict his use of armor, are highly favorable to the defender.

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From the standpoint of terrain, the most important corridor is on the western flank. This area is well protected by field fortifications. The road between Pamplona and Irun can be blocked by the prepared emplacements between Vera and Irun where the road parallels the west bank of the Bidasoa River, a good water barrier which protects the entire northeastern entrance to the corridor. In addition the corridor is flanked on the northwest by a low range, overlooking most of its length, and on the southeast by the foothills of the Pyrenees.

Field fortifications and dugouts on both sides of the main road between Irun and San Sebastian have been constructed so that the roads leading from Irun and the frontier are covered. Numerous emplacements for artillery and antitank weapons are located in the vicinity of Fuenterrabia to cover an attack through that corridor.

Logistic factors are complicated by the limited road and rail nets in this area. In addition, the radial pattern of both the rail and road systems would impede lateral communications. Spanish railroads and equipment are in poor condition and the highways, without substantial maintenance, would not stand prolonged military traffic. Nevertheless, supplies could be moved through the ports of Barcelona and Bilbao to the eastern and western flanks, respectively.

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